

State of Idaho

Legislative Services Office

Management Report

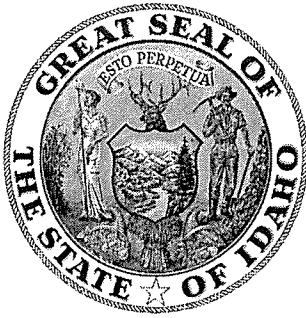
A communication to the Joint Finance-Appropriations Committee

OFFICE OF THE STATE BOARD OF EDUCATION

FY 2005, 2006, and 2007

**Report IC50107
Date Issued: July 3, 2008**

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

**Idaho Legislative Services Office
Legislative Audits Division**

**OFFICE OF THE STATE BOARD
OF EDUCATION**

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Office of the State Board of Education for the fiscal years ended June 30, 2005, 2006, and 2007. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

FINDINGS AND RECOMMENDATIONS

There is one finding and recommendation in this report.

- 1) Appropriations for fiscal year 2008 were used to pay prior year costs of \$1.5 million in violation of Idaho Code.

The complete finding is detailed on page 1. A copy of the entire report is available at <http://www.legislature.idaho.gov/audit/index.htm>, or by calling 208-334-4832.

PRIOR FINDINGS AND RECOMMENDATIONS

There were no prior findings and recommendations.

AGENCY RESPONSE

The Board has reviewed this report and is in general agreement with its contents.

FINANCIAL INFORMATION

The following financial data is for informational purposes only.

OFFICE OF THE STATE BOARD OF EDUCATION

	General Fund 0001	Indirect Cost Recovery Fund 0125	Budget Stabilization Fund 0150	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Community College Fund 0506	Total
Fiscal Year 2007							
Beginning Cash Balance	\$0	\$0	\$0	\$0	\$337,577	\$0	\$337,577
General Fund Appropriation	38,263,634	0	0	0	0	0	38,263,634
Receipts	91,777	0	0	47,445	202,313	0	341,535
Federal Grants & Contributions	0	19,850	0	9,402,337	0	0	9,422,187
Transfers In	0	0	33,700	0	0	300,000	333,700
Total Funds Available	<u>\$38,355,411</u>	<u>\$19,850</u>	<u>\$33,700</u>	<u>\$9,449,782</u>	<u>\$539,890</u>	<u>\$300,000</u>	<u>\$48,698,633</u>
Disbursements							
Personnel Costs	\$1,276,450	\$0	\$0	\$332,186	\$1,522	\$0	\$1,610,158
Operating Expenses	5,143,465	0	0	5,136,438	68,271	0	10,348,174
Trustee and Benefit	31,284,194	0	33,700	2,365,351	9,300	225,000	33,917,545
Transfers-Out	0	0	0	0	11,718	0	11,718
Total Expenditures	<u>\$37,704,109</u>	<u>\$0</u>	<u>\$33,700</u>	<u>\$7,833,975</u>	<u>\$90,811</u>	<u>\$225,000</u>	<u>\$45,887,595</u>
Ending Appropriation/Cash Balance	651,302	19,850	0	1,615,807	449,079	75,000	2,811,038
Ending Encumbrances	4,763	0	0	0	0	0	4,763
Ending Appropriation/Free Fund							
Cash Balance/Reverted Appropriation	<u>\$646,539</u>	<u>\$19,850</u>	<u>\$0</u>	<u>\$1,615,807</u>	<u>\$449,079</u>	<u>\$75,000</u>	<u>\$2,806,275</u>

OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and Office of the State Board of Education and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the interim executive director, Mike Rush, and his staff.

ASSIGNED STAFF

Eugene Sparks, CPA, CGFM, Managing Auditor
Darren Uranga, CPA, Staff Auditor
Maresa Blessinger, Staff Auditor

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FINDINGS AND RECOMMENDATIONS

FINDING #1

Appropriations for fiscal year 2008 were used to pay prior year costs of \$1.5 million in violation of Idaho Code.

Idaho Code, Title 67, Chapters 35 and 36, define the purposes and periods of availability of legislative appropriations and spending authority. In general, appropriated funds are available for specific periods identified in the legislation and are "fixed amounts beyond which state officers, departments, bureaus, and institutions may not expend."

The Board contracted for Idaho Standards Achievement Tests (ISAT) services to be delivered in fiscal year 2007. Due to a combination of changes in contractors and the need for additional program services to meet federal standards, the total contract grew to nearly \$8 million. Additional General Fund appropriations were requested from the Governor and Legislature in fiscal year 2007 to pay the increased costs, but these requests were not approved. As a result, an invoice from the contractor for \$1,544,217 was held until after the end of fiscal year 2007. Although appropriated for the same purpose, this invoice was paid from fiscal year 2008 appropriations in violation of Idaho Code.

The fiscal year 2008 contract for ISAT services was established at \$10.3 million and has since been amended down to \$7.9 million due to appropriation limits and the use of current year spending authority for the prior year's services. Testing services for second grade and ninth grade students were eliminated from the contract, and the remaining shortfall forced the Board to leave several senior administrative positions vacant to ensure that sufficient appropriation was available to pay the current year contract.

The use of personnel appropriation to pay contract costs requires State Board of Examiner approval as defined in Idaho Code, Section 67-3511. However, a request to transfer appropriations for this purpose had not been filed as of May 2008.

These issues were discussed during the fiscal year 2008 Legislative session, and our evaluations and tests did not disclose any additional instances during the fiscal years 2006 through 2008.

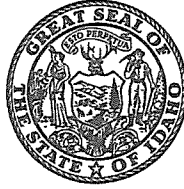
RECOMMENDATION #1

We recommend that the Board comply with Idaho Code and use appropriated funds and spending authority within the periods and limits established by the appropriation law.

AGENCY'S CORRECTIVE ACTION PLAN

The request to transfer appropriations to pay contract costs has been completed which brings the Board budget under compliance with Idaho Code. We agree that the Board should and will comply with Idaho Code and use appropriated funds and spending authority within the periods and limits established by the appropriation law.

AGENCY RESPONSE



IDAHO STATE BOARD OF EDUCATION

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e-mail: board@osbe.idaho.gov

www.boardofed.idaho.gov

June 25, 2008

Don Berg, Manager
Legislative Audits Division

Dear Mr. Berg:

Below please find our agency response to the audit of the Office of the State Board of Education for the fiscal years 2005 through 2007.

The request to transfer appropriations to pay contract costs has been completed which brings the Board budget under compliance with Idaho Code. We agree that the Board should and will comply with Idaho Code and use appropriated funds and spending authority within the periods and limits established by the appropriation law.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Rush", is written over a faint, larger signature.

Dr. Mike Rush
Executive Director

APPENDIX

HISTORY

The constitutional and statutory authority for the State Board of Education and the Board of Regents of the University of Idaho is found in Article IX, Sections 2 and 10, of the Idaho Constitution and throughout Title 33 of the Idaho Code. Idaho Code, Section 33-102A establishes the Office of the State Board of Education as an executive agency of the Board.

PURPOSE

The Office of the State Board of Education assists the Board in the execution of its legal responsibilities. Consistent with that role, the Office functions to:

- Provide information, analysis, and recommendations associated with the Board's decision-making process, including policy decisions affecting K-12, student assessment, higher education programming, college and university building projects and financing.
- Coordinate the function and activities of those agencies and institutions governed by or funded through the Board.
- Initiate, in cooperation with those agencies and institutions, long-term planning efforts responsive to emerging legal, social, and fiscal events in the State, region and nation.
- Interact, as directed by the Board, with other branches and representatives of State government.
- Provide public information with respect to the Board, its policies, and its institutions.
- Establish and coordinate the Board's plan for K-12 and higher education in Idaho.
- Administer all programs and services assigned to the Board by statute, regulation, or appropriation.

The Office is funded by a General Fund appropriation, as well as federal funds used to support various positions and activities relating to federal grant management. Miscellaneous funds are used to administer proprietary schools and the GIANTS program. General Fund appropriations are also appropriated to health education and special programs.

In addition to the activities and duties described above, the Office is the State Education Agency (SEA), that has the authority to receive all federal education funds. While the majority of these funds are passed directly to the State Department of Education and then to local districts, a small percentage of federal funds, with the assistance of State dollars, are used to operate programs which the Board oversees, including the Idaho Standards Achievement Tests (ISAT), and the federal Limited English Proficient (LEP) program, and Gear-Up (note: Gear-Up is not an acronym).

- **ISAT** – Every Idaho student in grades 2 to 10 take tests in math, reading, and language usage at least twice a year. The Board has also determined that 10th grade students must pass the ISAT to graduate. The State Board initiated the ISAT, which is used to track student achievement as well as school progress under the No Child Left Behind (NCLB) Act. The

Board has also initiated a statewide science assessment that is being piloted beginning in early 2005 in accordance with the federal NCLB Act of 2001.

- **LEP** – The Board has given significant attention to students who have limited English skills. The Board operates the State Limited English Proficiency program serving these students, oversees the distribution of the federal and State LEP funds, and provides assistance to school districts in order for them to comply with LEP requirements of NCLB.
- **Gear-Up** – This six-year federally funded grant was awarded to Idaho in 2006 (Idaho is currently in year two of the grant). At selected participating public schools, GEAR-UP will provide low income students early intervention services to assist them in becoming better prepared for post-secondary education. The students are eligible for GEAR-UP scholarships at the conclusion of the program. Scholarships are based on financial need, academic performance, and successful completion of program requirements.

Scholarships are \$4,000, renewable for four years. The first year scholarship funds will be available for distribution is fiscal year 2011. Each year (2011-2015), 1,000 students will be eligible for scholarships. Total funding for the program is \$18 million, 50% of which must be reserved in trust to be used for the scholarships in each year of the grant. In addition, the grant must be matched 100% or in-kind.

Health Education Programs

The General Fund appropriation for health education is used for the Western Interstate Commission for Higher Education-Professional Student Exchange Program (WICHE-PSEP), the Utah/Idaho Medical Program, and the Family Practice Residency Program.

WICHE-PSEP provides Idaho residents an opportunity to attend an out-of-state optometry program. The Utah/Idaho Medical Program provides Idaho residents access to medical seats at the University of Utah School of Medicine. This appropriation helps cover the costs of the students' education.

Idaho's two Family Practice Residency programs provide the final three years of formal family physician residency training. The program encourages newly graduated medical doctors to practice in Idaho. The Family Practice Residency of Southwest Idaho program, located in Boise, provides training for nine new residents each year. The Idaho State University Family Residency Program, in Pocatello, provides training for four new residents each year. Patient fees, local hospital contributions, and the State General Fund pay for the programs. Students from both the Idaho State University's College of Pharmacy and Health Related Professions and Boise State University's College of Health Sciences also receive training in the residency programs.

Special Programs

Scholarships and grants provide financial support to students attending Idaho's post-secondary educational institutions. The following scholarship and grant programs are funded by General Fund appropriations and federal funds:

Idaho Promise Scholarship – Category A

Offers up to 100 new scholarships each year (up to 400 total active recipients) to outstanding Idaho high school seniors who plan to pursue post-secondary academic or vocational studies at one of Idaho's public or private institutions of higher education. The Office of the State Board of Education determines award amounts.

Idaho Promise Scholarship – Category B

Provides up to \$250 per semester for all Idaho high school seniors graduating with a grade point average of at least 3.0 or an ACT score of at least 20. The scholarships are limited to two years and to students younger than 22 years of age. Recipients must maintain at least a 2.5 GPA to remain eligible. Participating institutions may provide up to a 1:1 match.

Opportunity Scholarship

A need-based scholarship is designed on a shared responsibility model with State dollars being the "last dollars." This means that a student must apply for federal aid and have a self or family contribution element before they would be eligible for the Opportunity Scholarship. In fiscal year 2008, the first year for this program, \$10 million was put into an endowment fund and \$1.925 million was designated to fund scholarships for the 2007-2008 academic year. Approximately 700 students will receive the scholarship, with the majority of those receiving the maximum award of \$3,000.

Other Scholarship programs governed by the Board include:

- Atwell J. Parry College Work-Study Program
- Minority/"At Risk" Student Scholarship Program
- Teachers/Nurses Loan Forgiveness Program
- POW/MIA Scholarship
- Police/Firefighters Scholarships
- "Grow Your Own" Teacher Corp. Scholarship
- Leveraging Educational Assistance Program (LEAP)
- Paul Douglas Teacher Scholarship
- Paul L. Fowler Memorial Scholarship
- The Governor's Challenge Scholarship

Other Programs

The Idaho Council for Technology in Learning (ICTL) was created to apply technology to meet the public need for an improved and thorough public education system. The ICTL consists of 14 members, including legislators, the State Superintendent of Public Instruction, a private business representative, a State Board of Education member, and other public officials involved in education. The Council's goal is to ensure coordination and effective implementation of State-funded learning technologies. The Council makes recommendations for expenditures of ICTL funds. The State Board of Education must approve these recommendations before funds may be spent.

ORGANIZATION

The State Board of Education consists of eight members. The Governor appoints 7 members to five-year terms. The State Superintendent of Public Instruction serves as the executive secretary of the Board.

The Board appoints the executive director of the Office of the State Board of Education. The current interim executive director, Mike Rush, was appointed September 19, 2007. A professional staff and general administrative staff assist the executive director. The Office's organization chart is illustrated on the following page.

Friday, April 04, 2008

